

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TENNESSEE  
NORTHERN DIVISION**

**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**v.**

**AIC, INC. et al.,**

**Defendants,**

**and**

**ALLIED BEACON PARTNERS, INC. (f/k/a  
Waterford Investor Services, Inc.) et al.,**

**Relief Defendants.**

**No. 3:11-cv-00176**

**JOINT STATUS REPORT**

Pursuant to Paragraph 4. of the Scheduling Order in this case (Doc. 41), the parties, by and through their respective counsel (or, in the case of defendant John B. Guyette, pro se),<sup>1</sup> hereby submit this Joint Status Report and report the following:

1. Status of Discovery. On May 24, 2013, plaintiff Securities and Exchange Commission (the “Commission”) filed a Renewed Motion to Compel Discovery. (Doc. 91.) In that Renewed Motion, the Commission alleges that Defendants AIC, Inc., Community Bankers Securities, LLC, and Nicholas D. Skaltsounis (the “AIC Defendants”) and relief defendants Allied Beacon Partners, Inc. (f/k/a Waterford Investor Services, Inc.), Advent Securities, Inc., and Allied Beacon Wealth Management, LLC (f/k/a CBS Advisors, LLC) (the “Relief Defendants”) still have not complied with the Court’s order of March 5, 2013 (Doc. 85), which

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<sup>1</sup> Defendant John R. Graves is currently incarcerated at the Federal Detention Center in Oakdale, Louisiana.

addressed certain discovery issues, including the AIC Defendants and the Relief Defendants' failure to produce certain responsive documents. A response to this Renewed Motion was filed on June 18, 2013. (Doc. 99.) The Commission may need additional discovery, including depositions, based on, inter alia, additional documents ultimately produced by the AIC Defendants and the Relief Defendants. The parties agree that the Commission may, in any event, take additional discovery, including depositions. The AIC Defendants represent that they intend to take the deposition of, or call for trial testimony, Thomas A. Grant, Esquire. The Commission has indicated that it may object, at least in part, to such deposition or testimony.

2. Pending Dispositive Motions. The only pending dispositive motion is the Commission's Motion for Partial Summary Judgment. (Doc. 93.) The parties believe that oral argument would be beneficial. The Motion for Partial Summary Judgment addresses a number of discrete issues, and oral argument would provide the parties with the opportunity to provide further clarity regarding their respective positions on these issues.

3. Expected Pretrial Motions. The Commission intends to file pretrial motions, including motions in limine. Among other things, the Commission may file motions in limine addressing the subjects set forth in the Commission's Motion for Partial Summary Judgment. The parties each reserve the right to file any pretrial motions, including motions in limine, pursuant to the Federal Rules of Civil Procedure, the Court's Local Rules, and the Scheduling Order in this case.

4. Anticipated Length of Trial. A jury trial was demanded. It is the Commission's position that a trial of this matter will last approximately three weeks. But, as discussed in more detail in the Commission's Motion for Partial Summary Judgment, the Commission believes that a trial of this matter would be simplified to the extent that the Motion for Partial Summary

Judgment is granted, resulting in a trial of a significantly shorter length. In particular and among other things, by eliminating defenses for which the AIC Defendants and the Relief Defendants cannot offer any support, the resources of the Court and the parties will be conserved. It is the AIC Defendants and the Relief Defendants' position that the matter can be tried in under ten days. The AIC Defendants and the Relief Defendants oppose the Commission's Motion for Partial Summary Judgment, and it is the AIC Defendants and the Relief Defendants' position that, for the reasons set forth in the Response and Opposition to Plaintiff's Motion for Partial Summary Judgment (Doc. 98), there are genuine issues of material fact concerning each and every affirmative defense, and, importantly, the Relief Defendants' defense that they provided valuable consideration and services in return for the capital contributions by AIC, Inc.

Defendant Guyette takes no position on the anticipated length of a trial.

5. Settlement Prospects. The parties are actively engaged in settlement discussions. This case has not been submitted for mediation, nor has there been a referral of this case to mediation.

6. Other Matters. The Commission is prepared to make a document production and has requested that the defendants and relief defendants submit appropriate hard drives so that a document production can be loaded thereon. To date, none of the defendants or relief defendants has provided such a hard drive. Further, counsel for the AIC Defendants and the Relief Defendants has informed counsel for the Commission that he wishes to defer any document production by the Commission for now and will provide the Commission's counsel with a hard drive for receipt of such document production in the future. Should any of the defendants or relief defendants provide the Commission's counsel with an appropriate hard drive in the future,

the Commission will return such hard drive with a document production loaded within fourteen days of the Commission having received the hard drive from the defendant or relief defendant.

Respectfully submitted,

Dated: June 25, 2013.

s/ Michael J. Rinaldi

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Michael J. Rinaldi

Scott A. Thompson

Attorneys for Plaintiff:

**SECURITIES AND EXCHANGE COMMISSION**

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Dated: June 25, 2013.

s/ Steven S. Biss [added with permission]

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Dated: June 25, 2013.

s/ John B. Guyette [added with permission]

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**CERTIFICATE OF SERVICE**

I hereby certify, this twenty-fifth day of June, 2013, that I served a true and correct copy of the foregoing Joint Status Report, by the means indicated, upon the following:

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Steven S. Biss, Esq.  
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Mr. John R. Graves  
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and  
John Robert Graves, #79185-083  
Oakdale FDC  
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s/ Michael J. Rinaldi  
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Michael J. Rinaldi